

Message Text

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ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 EB-11 AGR-20 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-03 PRS-01 USIA-12 RSR-01 /183 W

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R 161450 Z APR 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0549

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

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PASS AGRICULTURE

E. O. 11652: N/A

TAGS: EAGR, EEC, UK

SUBJECT: THE UK POSITION ON EC AGRICULTURAL PRICES

REF: LONDON 144

1. THE UK'S OPENING POSITION IN THE DEBATE OVER THE
A PRICE FREEZE FOR ALL PRODUCTS. AS THE DECISIVE EC
COUNCIL MEETING BEGAN IN BRUSSELS ON APRIL 16, IT WAS
CLEAR THAT THE BRITISH WOULD AGREE TO MODERATE INCREASES
IN THE PRICE OF BEEF, PORK AND MILK. ACCORDING TO OUR
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SOURCES AT THE MAFF, HOWEVER, THE UK WILL CONTINUE TO INSIST THAT THERE SHOULD BE NO INCREASE IN GRAIN PRICES.

2. THERE ARE TWO BASIC REASONS FOR THE HARD BRITISH LINE ON PRICES: AN IMMEDIATE CONCERN OVER INFLATION, AND A LONGER- TERM INTEREST IN MODIFYING CERTAIN ASPECTS OF THE COMMON AGRICULTURAL POLICY.

3. THE BRITISH GOVERNMENT IS UNDER CONSIDERABLE DOMESTIC POLITICAL PRESSURE TO FIGHT FOR THE INTERESTS OF THE BRITISH CONSUMER IN THE AGRICULTURAL PRICE DISCUSSIONS. ONE OF THE MAIN CRITICISMS MADE BY THE OPPONENTS OF THE GOVERNMENT' S ANTI- INFLATION POLICY IS THAT IT HAS FAILED TO CONTROL FOOD PRICES. IN ADDITION, LABOUR ANTI- MARKETEERS REPEATEDLY STRESS THE INFLATIONARY EFFECTS OF THE COMMON AGRICULTURAL POLICY. IN HIS REPORTS TO THE HOUSE OF COMMONS ON EC COUNCIL MEETINGS, THE BRITISH MINISTER OF AGRICULTURE, JOSEPH GODBER, HAS STRESSED HIS DETERMINATION TO KEEP PRICES DOWN. THE BRITISH MEMBERS OF THE EUROPEAN PARLIAMENT ALSO STRESSED THE INFLATION ISSUE DURING THE TURBULENT DEBATE THAT TOOK PLACE IN LUXEMBOURG ON APRIL 4-5.

4. THE PRESSURE ON THE GOVERNMENT TO HOLD THE LINE ON PRICES HAS BEEN INCREASED IN RECENT WEEKS BY THE WIDE, UNFAVORABLE PUBLICITY THAT THE BRITISH PRESS HAS GIVEN TO THE EC' S SALE OF SURPLUS BUTTER TO THE SOVIET UNION. AN ARTICLE IN THE SUNDAY TIMES OF APRIL 15, FOR EXAMPLE, CALLED THE SALE " THE COMMON MARKET" S BIGGEST FARCE," POINTING OUT THAT THE RUSSIANS ARE PAYING 8 PENCE A POUND FOR BUTTER WHICH COSTS THE BRITISH HOUSEWIFE 25 PENCE A POUND AT HER LOCAL STORE.

5. THE BRITISH GOVERNMENT' S POSITION ON THE 1973-74 PRICES GOES BEYOND THESE IMMEDIATE CONCERNS, HOWEVER. IT IS ALSO PART OF A LONG- RANGE EFFORT TO BRING ABOUT SOME BASIC MODIFICATIONS IN THE CAP. AS GODBER SAID IN A SPEECH IN BERLIN LAST JANUARY (REFTEL), THE UK CONSIDERS

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INFO OCT-01 IO-12 ADP-00 AGR-20 AID-20 EB-11 NSC-10 RSC-01

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THAT PRICE INCREASES MAINLY BENEFIT THE LARGE, EFFICIENT PRODUCERS WHO ARE THE LEAST IN NEED, AND THEY GENERATE COSTLY SURPLUSES WHICH DISRUPT WORLD TRADE. THE UK THEREFORE CONSIDERS THAT PRICES SHOULD NOT BE ALLOWED TO RISE AT THE RATE THEY HAVE RISEN IN RECENT YEARS, AND EXISTING PRICE SUPPORT MECHANISM SHOULD BE SUPPLEMENTED WITH ADDITIONAL DIRECT SUBSIDIES TO PRODUCERS. ALSO, SINCE LIVESTOCK PRODUCTION IS THE CENTRAL ELEMENT IN THE UK'S AGRICULTURAL ECONOMY, THE UK WOULD LIKE TO SHIFT THE PRESENT BALANCE OF THE CAP AWAY FROM GRAIN PRODUCTION AND IN FAVOR OF LIVESTOCK. ONE WAY TO DO THIS IS TO HOLD THE LINE ON GRAIN PRICES AND ALLOW BEEF AND PORK PRICES TO RISE.

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6. THE BRITISH GOVERNMENT HAS TO PROCEED CAREFULLY IN ITS ATTEMPTS TO BRING ABOUT BASIC MODIFICATIONS OF THIS KIND. IT IS ALREADY BEING CRITICISED ON THE CONTINENT FOR A LACK OF WHOLEHEARTED COMMITMENT TO THE COMMUNITY

BECAUSE IT IS NOT PARTICIPATING IN THE JOINT FLOAT.
BRITISH OFFICIALS DO NOT WANT TO LEAVE THEMSELVES OPEN TO
THE FURTHER CHARGE THAT THEY ARE TRYING TO BREAK UP THE
CAP. THEY THEREFORE CONTINUE TO STRESS THAT THE UK HAS
ACCEPTED THE CAP, AND THAT IT MERELY WANTS TO IMPROVE
IT. THE BRITISH WELCOME THE FACT THAT FRANCE, WHICH IS
THE MOST LIKELY SOURCE OF CRITICISM OF THIS KIND, APPEARS
TO BE TAKING A POSITION ON PRICES WHICH IS NOT THAT
DIFFERENT FROM THE UK POSITION - I. E. ALLOWING FOR PRICE
INCREASES FOR BEEF AND MILK BUT RESISTING THE GERMAN
DESIRE FOR INCREASES FOR GRAINS.

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*** Current Classification *** LIMITED OFFICIAL USE

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